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*Ökonomische Theorie der Aktiengesellschaft.* By DR. ERWIN STEINITZER. (Leipzig: Duncker & Humblot, 1908. Pp. xvi, 192. 5m.)

Books dealing with corporation economics are still comparatively rare, and the appearance of any scientific work which deals in a comprehensive fashion with the principles of the subject deserves attention.

Dr. Steinitzer's monograph has, besides the inevitable German introduction, five chapters. The first furnishes an excellent brief sketch of the origin and development of the corporation idea. The author shows clearly that the corporate method of organization has been adopted in every country at the time when industrial managers found that their undertakings had become so large that outside capital must be brought in, and yet the nature of the undertaking was such that this outside capital must be rewarded by shares in the profits of the enterprise rather than by the payment of interest. The history of corporations in all lands shows us, however, that a clash of interests soon takes place between those who manage the industry and those who only furnish capital.

It is this conflict of interests which is fully explained in the second chapter of the book which deals with the nature of the corporation and its dominating influences. Here the author develops his main thesis that the very nature of corporations is such that the control falls inevitably into the hands of a small group of the principal stockholders who may or may not possess a majority of the capital stock. This tendency has in no wise been checked by the development of the legal and democratic theory that the control of the corporation rests with the entire body of stockholders represented in the annual meeting.

Whether this control of the corporation by a small group is or is not a benefit to the majority of the stockholders depends upon whether the controlling interests represent industrial or financial ends. If the industrial purposes are dominant, those in control seek to develop in the highest degree possible the technical side of the undertaking, so as to make the business yield the highest possible profits. If financial motives are dominant, the party in control will subordinate the interests of the corporation to other

ends; possibly make the corporation subordinate to a group of industries of which it forms a part and in which the corporation managers are largely interested. The methods by which this control is secured and the way in which the corporation is made a means rather than an end are fully described, but they are so familiar to American readers that they need not here be mentioned. Many of the author's illustrations are taken from the history of American railroads and industrial combinations, but fortunately for our reputation some of the boldest and least defensible schemes of plunder which he describes are taken from the pages of German and Austrian financial history.

The third chapter of the book deals with the policy of corporations. This policy varies according as to whether the industrial or the financial interests are uppermost. This affects such questions as the distribution of dividends, the size of the reserves, alliance with banking interests, the size of the funded debt, and the matter of over-capitalization. How far even a conservative management may forget the real purpose of a corporation is well illustrated by the statement of an Austrian bank director who objected to a proposed distribution of dividends on the ground that—"every penny which is paid out to the stock holders is that much lost to the business."

The fourth chapter on the organization of corporations is largely devoted to a study of the composition and functions of the general assembly of stockholders and of the board of directors. That the first named body cannot exercise any real control is due to the fact that the infrequent meetings, lack of acquaintance of the stockholders with each other and with the details of the business make any unity of action impossible. The board of directors, on the other hand, is the peculiar instrument through which the leading financial interests assert their control. The author has little faith in the German supervisory councils, which he thinks are usually under the direct control of the corporation leaders and do little more than give a formal approval to the work of the latter.

In the fifth and final chapter Dr. Steinitzer passes in rapid review the methods which the law—more particularly the German law—affords for the protection of the ordinary stockholder. Something worth while he finds in the methods of securing minority representation and for providing information which may be used

as a basis of action against the management in the civil or even the criminal courts, but none of these methods is available except in cases of extreme neglect or misbehavior on the part of the corporation officials or directors. Most of the legislation on the subject of corporation control which provides heavy penalties for misbehavior on the part of corporation officials is only a confession of ignorance on the part of the law-givers as to how to deal with the problem.

The author's solution is to secure information by means of an independent audit of corporation accounts by a central bureau of accounting, in order that the information thus secured may be placed before the general meeting of stockholders. This would enable the minority to make use of rights already guaranteed to them to carry their complaints against a careless or unfair management into the courts. The author offers this proposed reform merely as a basis for further discussion, and he does not develop the details. He asserts that the main purpose of his work has been to analyze and explain the nature of corporate undertakings and he leaves to others the task of framing a systematic plan of reform. Viewed in this light, perhaps the main criticism which can be directed against his work is that it tends to emphasize the faults and to neglect the merits of the corporation as a form of industrial undertaking.

Another criticism from the standpoint of the English or American reader would be that the cumbersome German style is to be found in this monograph at nearly its worst.

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*Die Wertzuwachssteuer, ihre bisherige Gestaltung in der Praxis und ihre Bedeutung für die Steuerpolitik der Gemeinden.* By Dr. BOLDT, Tax-commissioner in Dortmund. (Dortmund: W. Crüwell, 1908. Pp. 140. 2 m.)

The rapid growth of cities in Germany has had two results of peculiar interest to the revenue departments of those cities. One is the increase in the cost of running the cities, the other is the increase in land values. To forge a link between these two, and